

Message Text

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DRAFTED BY S:LSEAGLEBURGER

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S/S - MR. MOFFAT

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

UNCLAS STATE 125999 TOSEC 020141

E.O. 11652: N/A

TAGS: OVIP (KISSINGER, HENRY A.), SOPN

SUBJECT: RESTON ARTICLE

FOR THE SECRETARY FROM EAGLEBURGER

FOLLOWING IS TEXT OF RESTON ARTICLE

A NEW ECONOMIC ORDER

1. IN THE LAST THREE WEEKS, SECRETARY OF STATE KISSINGER HAS MADE THREE IMPORTANT SPEECHES ON AMERICA'S FUTURE WORLD ECONOMIC POLICY, WHICH HAS BEEN THE SOURCE OF THE MOST INTENSE CONTROVERSY AT THE HIGHEST LEVELS HERE.

2. THE FIRST WAS MADE ON MAY 13 TO THE KANSAS CITY INTERNATIONAL RELATIONS COUNCIL, THE SECOND TO THE INTERNATIONAL ENERGY AGENCY IN PARIS ON MAY 27, AND THE THIRD TO THE O.E.C.D. MINISTERIAL COUNCIL ON MAY 28, ALSO IN PARIS.

3. THE CONTROVERSY AROSE IN THE FIRST PLACE OVER PROCEDURE. MR. KISSINGER'S THEME WAS THAT ECONOMIC CHAOS WAS A THREAT TO WORLD PEACE, AND THAT THE UNITED STATES SHOULD CONSULT WITH BOTH THE INDUSTRIAL AND THE DEVELOPING NATIONS TO CREATE WHAT HE CALLED IN PRIVATE "A NEW WORLD ECONOMIC ORDER," BUT HE DID NOT CONSULT WITH THE MEMBERS OF THE PRESIDENT'S ECONOMIC POLICY BOARD UNTIL HE WAS ABOUT TO TAKE OFF FOR UNCLASSIFIED

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KANSAS CITY. OR SO THEY SAY.

4. THE MEMBERS OF THE BOARD DIDN'T MIND HIS PROPOSAL FOR CONSULTATION WITH OTHER COUNTRIES, BUT THOUGHT IT A BIT

ODD THAT HE DIDN'T CONSULT WITH THEM, AND SECRETARY OF THE TREASURY SIMON WAS PARTICULARLY INCENSED BY HIS TALK OF "A NEW WORLD ECONOMIC ORDER," A POPULAR PHRASE WITH THE POOR AND THE COMMUNIST NATIONS, WHICH SUGGESTED THAT THE OLD ECONOMIC ORDER WAS NO GOOD.

5. ACCORDINGLY, THE KANSAS CITY SPEECH WAS AMENDED AT THE LAST MINUTE, AND THE PRESIDENT INSISTED THAT FUTURE KISSINGER TALKS ON THIS SUBJECT SHOULD BE CLEARED IN ADVANCE WITH THE BOARD. THIS PRODUCED LAST WEEKEND A SERIES OF MEETINGS ABOUT THE SUBSTANCE OF MR. KISSINGER'S TWO PARIS TALKS, WHICH WERE REVIEWED LINE BY LINE BY SOME MEMBERS OF THE BOARD, AND FINALLY, AT A MEETING OF THE WHOLE BOARD AT 8:15 LAST MONDAY MORNING, PRESIDED OVER BY THE PRESIDENT.

6. ACCORDING TO OUR INFORMATION, SECRETARY SIMON MADE A SPEECH TO THE BOARD ON THE VALUES OF THE FREE ENTERPRISE SYSTEM AND THE DANGERS OF NEGOTIATING COMMODITY AGREEMENTS RATHER THAN LEAVING PRICES TO THE MARKET PLACE. SECRETARY OF LABOR DUNLOP SUGGESTED THAT IT WAS SILLY TO TALK ABOUT ALL DEVELOPING COUNTRIES AS IF CHAD, SINGAPORE AND INDIA WERE ALL THE SAME.

7. PRESIDENT FORD SAID HE WAS FOR THE FREE ENTERPRISE SYSTEM BUT DIDN'T WANT TO APPROACH THE PROBLEM FROM AN IDEOLOGICAL POINT OF VIEW. HE WANTED PRACTICAL SOLUTIONS TO PRACTICAL PROBLEMS, AND AGREED THAT THE U.S. SHOULD TRY TO CONSULT WITH BOTH THE INDUSTRIAL NATIONS AND THE DEVELOPING NATIONS RATHER THAN CONFRONT THEM WITH ORGANIZED CARTELS. AT ABOUT NINE O'CLOCK MR. FORD PICKED UP HIS PAPERS AND LEFT, AND MR. KISSINGER'S AMENDED SPEECHES WERE APPROVED.

8. THIS, OF COURSE, IS NOT THE END BUT ONLY THE BEGINNING OF THE PROBLEM, THOUGH THE TUSSE OVER THESE SPEECHES AT LEAST BROUGHT BOTH THE PROCEDURAL AND SUBSTANTIVE ISSUES UNCLASSIFIED

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TO THE FORE. THE ADMINISTRATION HAS BEEN DIVIDED ON HOW TO DEAL WITH THE OIL CARTEL, AND WITH THE PRODUCERS AS A MODEL FOR REDISTRIBUTING THE WEALTH OF THE WORLD.

9. SECRETARY SIMON, OF COURSE, SEES THE OPEC CARTEL'S TECHNIQUES, NOT AS A FORM OF FREE ENTERPRISE BUT AS CALCULATED AND DANGEROUS DISTORTION, AND THE ONLY THING THAT INFURIATES HIM MORE THAN THIS IS THE THOUGHT OF NEGOTIATING PRICES WITH THE COMMODITY PRODUCERS OUTSIDE THE FREE MARKET.

10. ON SUBSTANCE, HOWEVER, THE KISSINGER APPROACH, IF NOT ALL HIS PHRASES, SURVIVED THE TUFF. HIS PARIS SPEECHES, AS FINALLY DELIVERED, PAID TRIBUTE TO THE GENERAL SUCCESS OF

THE OLD SYSTEM, AND MADE CLEAR THAT THE UNITED STATES WAS NOT GOING TO TAKE AN IDEOLOGICAL APPROACH TO THE PROBLEM BUT WANTED TO CONSULT WITH ALL NATIONS IN THE HOPE OF WORKING OUT A SYSTEM ADEQUATE TO THE NEW CONDITIONS OF THE WORLD.

11. "THE ECONOMIC SYSTEM WHICH WE LABORED SO HARD TO CONSTRUCT,, HE TOLD THE O.E.C.D., "IS NOW UNDER STRESS. THE ENERGY CRISIS OF 1973 FIRST DRAMATIZED THE FORCES OF CHANGE WHICH THREATEN TO OUTFRAN OUR CAPACITY FOR COOPERATIVE ACTION. A FOOD CRISIS, A GLOBAL RECESSION AND A RATE OF INFLATION UNPRECEDENTED IN THE POSTWAR PERIOD HAVE FURTHER STRAINED THE STRUCTURE OF INTERNATIONAL COOPERATION...

12. "ECONOMIC EXPANSION IN THE INDUSTRIAL WORLD AND ECONOMIC COOPERATION WITH THE LESS DEVELOPED COUNTRIES GO HAND IN HAND. THESE ISSUES GO FAR BEYOND ECONOMIC CONSIDERATIONS. ECONOMIC STAGNATION BREEDS POLITICAL INSTABILITY..."

13. THUS, HE RECONCILED THE OLD SYSTEM WITH HIS OWN VIEW THAT IT HAS TO BE AMENDED IN CONSULTATION WITH BOTH THE PRODUCING AND CONSUMING NATIONS. THE OUTLOOK, HOWEVER, IS NOT FOR DRAMATIC INTERNATIONAL COMMODITY AGREEMENTS OR FOR INDEXING PRICES TO THE COST OF LIVING, BUT FOR CASE-BY-CASE AGREEMENTS IN ACCORDANCE WITH MR. FORD'S PRAGMATIC APPROACH.

14. PERHAPS THE MOST IMPORTANT RESULT OF THIS CONTROVERSY WILL NOT BE IN POLICY ITSELF FOR THE TIME BEING BUT IN THE UNCLASSIFIED

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WAYS IN WHICH POLICY WILL BE MADE. MR. KISSINGER OR A CHOSEN AIDE WILL BE IN ON THE DISCUSSIONS OF THE PRESIDENT'S ECONOMIC POLICY BOARD MUCH MORE CONSISTENTLY THAN IN THE PAST.

15. MORE IMPORTANT, POLICIES MAY LEAD TO SPEECHES IN THE FUTURE RATHER THAN THE OTHER WAY AROUND, AND IN WASHINGTON, THIS WILL BE QUITE AN INNOVATION. END TEXT INGERSOLL

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<< END OF DOCUMENT >>

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